

SOUTHEAST COMMUNITY COLLEGE AREA

FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017



**DANA F. COLE
& COMPANY^{LLP}**
CERTIFIED PUBLIC ACCOUNTANTS

SOUTHEAST COMMUNITY COLLEGE AREA
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CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Governors
Southeast Community College Area
Lincoln, Nebraska

Report on the Financial Statements

We have audited the accompanying statements of net position of Southeast Community College Area as of June 30, 2018 and 2017, and the related statements of revenues, expenses, and changes in net position and cash flows for the years then ended which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of the Southeast Community College Foundation, which represent 11 percent, 15 percent, and 3 percent, respectively, of the assets, net position, and revenues of the Southeast Community College Area. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Southeast Community College Foundation, is based solely on the report of the other auditors. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly the financial position of Southeast Community College Area, as of June 30, 2018 and 2017, and the results of its operations and cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 12 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Southeast Community College Area's financial statements as a whole. The schedules of general fund revenues - budgetary basis, schedules of general fund expenditures - budgetary basis, and schedules of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the financial statements.

The schedules of general fund revenues - budgetary basis, schedules of general fund expenditures - budgetary basis, and schedules of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Report Issued in Accordance with *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2018, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Southeast Community College Area's internal control over financial reporting and compliance.

Dana F Cole + Company, LLP

Lincoln, Nebraska
November 14, 2018

**SOUTHEAST COMMUNITY COLLEGE AREA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

This section of Southeast Community College Area's annual financial report presents our discussion and analysis of the College's financial performance during the fiscal years ended June 30, 2018 and 2017. Please read it in conjunction with the College's financial statements, which follow this section.

USING THIS ANNUAL REPORT

This report consists of three basic financial statements. The statement of net position; the statement of revenues, expenses, and changes in net position; and the statement of cash flows provide information on the College as a whole and present a long-term view of the College's finances.

THE STATEMENT OF NET POSITION AND THE STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

One of the most important questions asked about the College's finances is, "Is Southeast Community College Area as a whole better off as a result of the year's activities?" The Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Net Assets report information on the College as a whole and on its activities in a way that helps answer this question. When revenues and other support exceed expenses, the result is an increase in net assets. When the reverse occurs, the result is a decrease in net assets. The relationship between revenues and expenses may be thought of as the College's operating results.

These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the College's net assets and changes in them. You can think of the College's net assets (the difference between assets and liabilities) as one way to measure the College's financial health, or financial position. Over time, increases or decreases in the College's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as enrollment trends, placement results, program quality, condition of buildings, campus safety and other factors to assess the overall health of the institution.

Figure 1.
Southeast Community College Area Net Assets
(in thousands of dollars)



SOUTHEAST COMMUNITY COLLEGE AREA
MANAGEMENT'S DISCUSSION AND ANALYSIS

TABLE 1
NET POSITION
(in thousands of dollars)

	2018	2017	2016
Current assets	136,147	63,431	60,270
Noncurrent assets	920	720	625
Capital assets	<u>75,365</u>	<u>70,812</u>	<u>68,301</u>
Total assets	<u>212,432</u>	<u>134,963</u>	<u>129,196</u>
Current liabilities	8,482	5,748	5,465
Noncurrent liabilities	<u>60,486</u>	-	-
Total liabilities	<u>68,968</u>	<u>5,748</u>	<u>5,465</u>
Net Position			
Invested in capital assets, net of related debt	75,365	70,812	68,301
Restricted	14,634	10,179	8,366
Unrestricted	<u>53,465</u>	<u>48,224</u>	<u>47,064</u>
Total net position	<u>143,464</u>	<u>129,215</u>	<u>123,731</u>

Net position of the College increased by 11.03% (\$14,249 thousands) and 4.43% (\$5,484 thousands) for the fiscal years ended June 30, 2018 and 2017. The increase in net position is due to the following factors:

An increase in the unrestricted net position due to lower than budgeted expenses.

An increase in net assets investment in capital assets due to construction projects and capital assets purchased.

An increase in restricted net position due to unspent capital improvement levy.

TABLE 2
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION
(in thousands of dollars)

	2018	2017	2016
Operating revenue			
Student tuition and fees	15,081	17,646	20,288
Grants and contracts	28	11	6
Sales educational departments	1,051	1,146	1,195
Auxiliary enterprises	8,334	8,587	9,078
Other	<u>2,251</u>	<u>1,631</u>	<u>2,976</u>
Total operating revenue	<u>26,745</u>	<u>29,021</u>	<u>33,543</u>

SOUTHEAST COMMUNITY COLLEGE AREA
MANAGEMENT'S DISCUSSION AND ANALYSIS

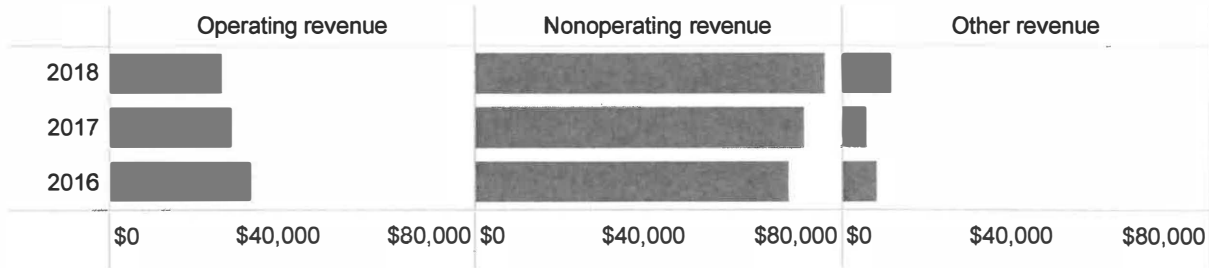
TABLE 2
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION (Continued)
(in thousands of dollars)

	2018	2017	2016
Operating expenses			
Personnel services	70,844	70,982	68,377
Operating expenses	27,866	27,833	27,798
Travel	418	591	847
Capital assets not capitalized	2,578	2,718	8,503
Depreciation	5,455	5,427	4,677
Total operating expenses	<u>107,161</u>	<u>107,551</u>	<u>110,202</u>
Net operating loss	<u>(80,416)</u>	<u>(78,530)</u>	<u>(76,659)</u>
Nonoperating revenue			
State aid	27,461	27,096	27,528
Property taxes	41,260	35,983	31,735
Grants and contracts	13,865	14,763	15,075
Investment income	528	158	109
Interest on indebtedness	(149)	-	-
Net nonoperating revenue	<u>82,965</u>	<u>78,000</u>	<u>74,447</u>
Other revenue			
Capital appropriations	11,655	5,889	8,370
Gain on disposal of assets	45	125	62
Net other revenue	<u>11,700</u>	<u>6,014</u>	<u>8,432</u>
Increase in net assets	14,249	5,484	6,220
Net Position			
Net position, beginning of year	<u>129,215</u>	<u>123,731</u>	<u>117,511</u>
Net position, end of year	<u>143,464</u>	<u>129,215</u>	<u>123,731</u>

**SOUTHEAST COMMUNITY COLLEGE AREA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

REVENUES

Figure 2.
Southeast Community College Area Revenues
(in thousands of dollars)



Comments regarding revenues are as follows:

Tuition and fee rates for 2017-2018 increased by 2.96% and the allowance for scholarships increased by 45% (\$2,025 thousands). The additional revenues attributed to an increase in tuition and fees was partially offset by a slight decrease in enrollment.

A termination of a contract between SCC and John Deere to provide training services occurred in September 2016.

In fiscal 2017-2018 valuations increased by 4.4%, the General Fund levy increased 60 cents per \$100 valuation and the CIF levy increased 95 cents per \$100 valuation. Total property tax levy was 9.07 cents, 7.52 cents, and 7.57 cents per \$100 valuation for fiscal 2017-2018, 2016-2017 and 2015-2016 respectively.

EXPENSES

Figure 3.
Southeast Community College Area Expenses
(in thousands of dollars)



Comments about expenses are as follows:

Personnel services continue to be the primary expenditure category and are 66% of General Fund expenditures.

Total expenditures were consistent from fiscal 2017-2018 to 2016-2017. Expenditures decreased by 2.4% primarily due to a decrease in the amount spent on maintenance projects from fiscal 2016-2017 to 2015-2016.

SOUTHEAST COMMUNITY COLLEGE AREA
MANAGEMENT'S DISCUSSION AND ANALYSIS

THE STATEMENTS OF CASH FLOWS

Another way to assess the financial health of the College is to look at the statements of cash flows. The purpose of the statements of cash flows is to provide relevant information about cash receipts and cash payments made by the College during a fiscal year. The statement also helps users to assess the College's:

- Ability to generate future net cash flows
- Ability to meet its obligations as they come due
- Needs for external financing

TABLE 3
CASH FLOWS
(in thousands of dollars)

	2018	2017	2016
Cash provided (used) by:			
Operating activities	(73,321)	(72,183)	(71,289)
Noncapital financing activities	82,193	76,322	71,879
Capital and related financing activities	59,693	(368)	(4,047)
Investing activities	<u>476</u>	<u>10,381</u>	<u>548</u>
Net increase (decrease) in cash and cash equivalents	69,041	14,152	(2,909)
Cash and cash equivalents, beginning of year	<u>40,586</u>	<u>26,434</u>	<u>29,343</u>
Cash and cash equivalents, end of year	<u><u>109,627</u></u>	<u><u>40,586</u></u>	<u><u>26,434</u></u>

Comments about cash flow are as follows:

Cash used by operating activities consists of:

Major revenue sources of tuition and fees, auxiliary enterprises income, and sales of educational services.

Major expenditures of personnel services, operating expenses, and scholarship allowances.

The three major components of cash provided by noncapital financing activities are:

- State aid
- Property taxes for the General Fund and ADA/Hazardous Waste Fund
- Nonexchange grants

Cash used for capital and related financing activities increased in June 30, 2018, due to the issuance of the Tax-Supported Certificates of Participation, Series 2018 which is used to finance a portion of the cost of constructing, acquiring, and equipping certain buildings and related improvements to the College's campuses in the amount of \$58,375,000.

SOUTHEAST COMMUNITY COLLEGE AREA
MANAGEMENT'S DISCUSSION AND ANALYSIS

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2018 and 2017, the College had \$75,365 thousands and \$70,812 thousands invested in capital assets, net of accumulated depreciation. Depreciation charges for the fiscal years ended June 30, 2018 and 2017, and 2016, totaled \$5,455, \$5,427, and \$4,677 thousands, respectively. Details of capital assets for the fiscal years ended June 30 are as follows:

TABLE 4
CAPITAL ASSETS
(net of depreciation, in thousands of dollars)

	2018	2017	2016
Land	1,889	2,363	1,674
Land improvements	1,591	1,704	1,817
Buildings	63,994	59,602	57,457
Equipment	7,891	7,143	7,353
	<u>75,365</u>	<u>70,812</u>	<u>68,301</u>

Debt

Southeast Community College Tax-Supported Certificates of Participation ("COPS"), Series 2018, were issued June 7, 2018, to finance a portion of the cost of constructing, acquiring, and equipping certain buildings and related improvement to the College's campuses in the amount of \$58,375,000. Payments are made semiannually on June 15th and December 15th and include principal and interest ranging from 3% to 5% over the life of the COPS. The COPS were issued at a premium of \$2,195,062 which is amortized over the life of the COPS.

The College had no outstanding long term debt at June 30, 2017 and 2016.

TABLE 4
OUTSTANDING DEBT
(in thousands of dollars)

	2018	2017	2016
2018 Certificates of Participation	<u>58,375</u>	<u>-</u>	<u>-</u>

SOUTHEAST COMMUNITY COLLEGE AREA
MANAGEMENT'S DISCUSSION AND ANALYSIS

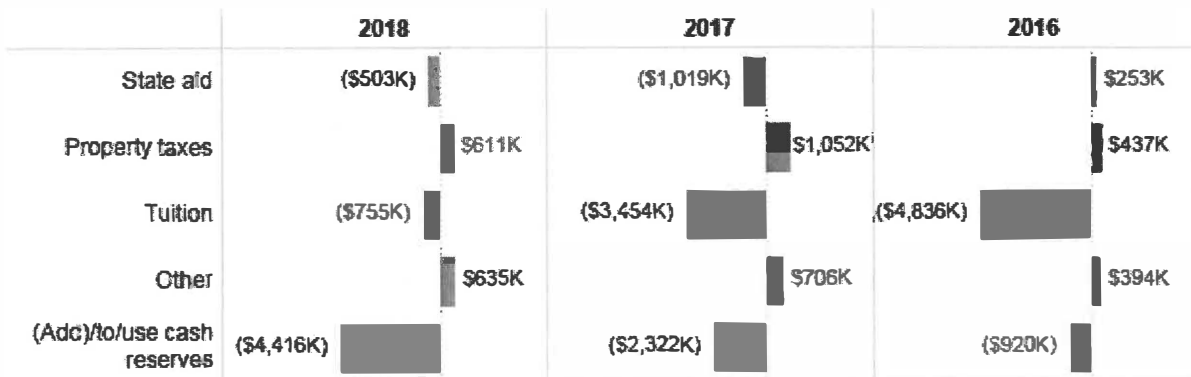
BUDGET VS ACTUAL

Prior to August 1 the, college's administration prepares a proposed operating budget for the General, Restricted, and Plant Funds. At the Southeast Community College public meeting in September, a public hearing is conducted to obtain taxpayer comments regarding the proposed budget. After the public hearings, the budget is legally adopted by the Board of Governors through a passage of a resolution.

TABLE 6
SOUTHEAST COMMUNITY COLLEGE AREA | BUDGET VS ACTUAL, GENERAL FUND ONLY
(in thousands of dollars)

	Budget 2018	Budget 2018	Budget 2017	Budget 2017	Budget 2016	Budget 2016
REVENUES						
State aid	27,964,045	27,460,870	28,114,535	27,095,637	27,274,555	27,527,755
Property taxes	40,648,322	41,259,669	34,914,825	35,966,336	31,047,043	31,484,041
Tuition	20,221,952	19,467,175	22,785,674	19,331,951	24,775,564	19,939,737
Other	400,000	1,035,285	571,220	1,277,036	600,000	994,090
(Add) to/use cash reserves	-	(4,415,641)	-	(2,321,605)	-	(919,948)
Total revenues	89,234,319	84,807,358	86,386,254	81,349,355	83,697,162	79,025,675
EXPENSES						
Peronal services	72,340,559	65,622,819	69,406,073	64,858,339	66,578,061	60,324,692
Operating	13,092,062	14,805,605	12,315,722	12,887,530	12,096,840	12,534,645
Travel	360,416	222,154	677,320	383,628	653,877	440,571
Equipment	3,441,282	4,156,780	3,987,139	3,219,858	4,368,384	5,725,767
Total expenses	89,234,319	84,807,358	86,386,254	81,349,355	83,697,162	79,025,675

Figure 4.
Southeast Community College Area | Difference between Actual and Budgeted Revenue for General Fund
(in thousands of dollars)



**SOUTHEAST COMMUNITY COLLEGE AREA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Figure 5.
Southeast Community College Area | Difference between Budgeted and Actual Expenses for General Fund
(in thousands of dollars)

	2018	2017	2016
Personal services	\$6,718K	\$4,548K	\$6,253K
Operating	(\$1,714K)	(\$572K)	(\$438K)
Travel	\$138K	\$294K	\$213K
Equipment	(\$715K)	\$767K	(\$1,357K)

Comments regarding budget vs actual revenues and expenditures for the general fund budget are as follows:

Fiscal 2017-2018

- State aid revenue was below budget by \$503 thousands due to state appropriations being reduced during the year due to a weak Nebraska economy.
- Tuition revenue was below budget by \$755 thousands due to a slight decrease in enrollment that was partially offset against an increase in tuition rates.
- Personal services expenditures were below budget by \$6,718 due to a high number of retirements and positions remaining vacant for an extended period of time.
- Operating expenditures were above budget due to a large number of maintenance projects being completed in the fiscal year.

Fiscal 2016-2017 and 2015-2016

- State aid revenue was below budget by \$1,109 thousands due to state appropriations being reduced during the year due to a weak Nebraska economy in fiscal 2016-2017.
- Tuition revenue was below budget by \$3,454 and \$4,836 thousands in fiscal 2016-2017 and 2015-2016 due to a decrease in enrollment that was partially offset against an increase in tuition rates.
- Personal services expenditures were below budget by \$4,547 and \$6,253 in fiscal 2016-2017 and 2015-2016 due to a high number of retirements and positions remaining vacant for an extended period of time.
- Operating expenditures were above budget by \$572 (thousands) and \$438 (thousands) in fiscal 2016-2017 and 2015-2016 due to a large number of maintenance projects being completed in each fiscal year.

SOUTHEAST COMMUNITY COLLEGE AREA
MANAGEMENT'S DISCUSSION AND ANALYSIS

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

The economic position of Southeast Community College is closely tied to that of the State. LB 946 specifies the state aid distribution to the community colleges. A weak farm economy may continue to hamper the state's growth over the next several years thus effecting state aid appropriated to the community colleges.

The state aid appropriation for fiscal 2018-2019 to the College is 27.9% of the total community college appropriation or .32% less than the 2017-2018 appropriation.

The College Board of Governors has recently taken the following actions:

Maintained the General Fund property tax levy at 7.07 cents per \$100 valuation and the CIF property tax levy at 2.00 cents.

Resident tuition and fee rates were increased by 2.96% for the fiscal year beginning July 1, 2018.

Property valuations for 2018 increased 3.8% over the previous year.

FINANCIAL CONTACT

The College's financial statements are designed to present users with a general overview of the College's finances and to demonstrate the College's accountability. If you have questions about the report or need additional financial information, contact the College's Vice-President for Administrative Services, Amy L. Jorgens, 301 South 68th Street Place, Lincoln, Nebraska 68510-2449, 402-323-3414, ajorgens@southeast.edu.

SOUTHEAST COMMUNITY COLLEGE AREA
STATEMENTS OF NET POSITION
JUNE 30, 2018 AND 2017

	2018		2017	
	College	Foundation	College	Foundation
ASSETS				
Current Assets				
Cash and cash equivalents	109,627,324	34,979	40,585,739	114,131
Short-term investments	1,494,811	1,118,979	1,690,688	1,368,005
Property taxes receivable	18,593,050	-	15,196,358	-
Accounts receivable (net)	2,797,795	27,340	1,846,865	200,493
Interest receivable	69,613	61,446	55,105	45,126
Inventories	1,732,189	-	2,146,112	-
Prepaid expense	1,832,609	-	1,910,137	-
Total current assets	<u>136,147,391</u>	<u>1,242,744</u>	<u>63,431,004</u>	<u>1,727,755</u>
Noncurrent Assets				
Deposits with vendors	42,097	-	42,097	-
Pledges receivable	-	-	-	12,000
Endowment investments	-	23,036,644	-	20,669,694
Long-term investments	715,436	-	511,830	-
Prepaid expenses	162,270	-	166,134	-
Capital assets, net	75,364,595	719,529	70,812,155	758,562
Total noncurrent assets	<u>76,284,398</u>	<u>23,756,173</u>	<u>71,532,216</u>	<u>21,440,256</u>
TOTAL ASSETS	<u>212,431,789</u>	<u>24,998,917</u>	<u>134,963,220</u>	<u>23,168,011</u>
LIABILITIES				
Current Liabilities				
Accounts payable	3,709,152	33,609	1,863,241	101,989
Accrued salaries	3,132,123	-	2,826,868	-
Deferred revenue	1,227,750	16,668	827,129	16,492
Deposits	179,126	-	230,864	-
Accrued interest	154,110	-	-	-
Current portion of long-term debt	78,984	13,331	-	-
Total current liabilities	<u>8,481,245</u>	<u>63,608</u>	<u>5,748,102</u>	<u>118,481</u>
Noncurrent Liabilities				
Long-term debt, net	60,486,200	55,995	-	-
TOTAL LIABILITIES	<u>68,967,445</u>	<u>119,603</u>	<u>5,748,102</u>	<u>118,481</u>

SOUTHEAST COMMUNITY COLLEGE AREA
STATEMENTS OF NET POSITION
JUNE 30, 2018 AND 2017

	2018		2017	
	College	Foundation	College	Foundation
NET POSITION				
Invested in capital assets, net of related debt	75,364,595	719,529	70,812,155	758,562
Restricted for:				
Nonexpendable				
Scholarships and fellowships	-	8,237,622	-	7,875,082
Expendable				
Scholarships and fellowships	-	14,591,781	-	13,068,549
ADA/Hazardous Waste	24,875	-	146,115	-
Capital projects	14,609,341	-	10,032,654	-
Unrestricted	53,465,533	1,330,382	48,224,194	1,347,337
 TOTAL NET POSITION	 143,464,344	 24,879,314	 129,215,118	 23,049,530

See accompanying notes to financial statements.

SOUTHEAST COMMUNITY COLLEGE AREA
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2018 AND 2017

	2018		2017	
	College	Foundation	College	Foundation
OPERATING REVENUES				
Student tuition and fees	15,080,943	-	17,645,539	-
Nongovernmental grants and contracts	28,305	-	11,135	-
Sales and services of educational departments	1,051,649	-	1,145,575	-
Auxiliary enterprises	8,333,724	-	8,587,631	-
Other operating income	2,250,678	179,173	1,630,865	218,499
Total operating revenues	26,745,299	179,173	29,020,745	218,499
OPERATING EXPENSES				
Personnel services	70,844,474	138,112	70,981,374	121,843
Operating expenses	27,866,120	2,136,913	27,832,691	1,781,702
Travel	417,504	-	591,166	-
Capital assets not capitalized	2,578,131	-	2,718,282	-
Depreciation	5,455,451	-	5,427,490	-
Total operating expenses	107,161,680	2,275,025	107,551,003	1,903,545
OPERATING LOSS	(80,416,381)	(2,095,852)	(78,530,258)	(1,685,046)
NONOPERATING REVENUES				
Governmental appropriations				
State aid	27,460,870	-	27,095,637	-
Property taxes	41,259,649	-	35,983,358	-
Governmental grants and contracts				
Federal	12,952,454	-	13,568,816	-
State	912,463	-	1,074,371	-
Nongovernmental grants and contracts				
	-	-	120,000	-
Gifts	-	1,990,657	-	2,048,007
Investment income	528,624	1,833,222	158,123	1,319,400
Interest on indebtedness	(149,232)	-	-	-
Net nonoperating revenues	82,964,828	3,823,879	78,000,305	3,367,407
INCOME (LOSS) BEFORE OTHER REVENUES, EXPENSES, GAINS, OR LOSSES	2,548,447	1,728,027	(529,953)	1,682,361

SOUTHEAST COMMUNITY COLLEGE AREA
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2018 AND 2017

	2018		2017	
	College	Foundation	College	Foundation
OTHER REVENUES, EXPENSES, GAINS, OR LOSSES				
Capital appropriations	11,655,353	-	5,889,335	-
Gain on disposal of capital assets	45,426	101,757	124,777	-
Total other revenues, expenses, gains, or losses	<u>11,700,779</u>	<u>101,757</u>	<u>6,014,112</u>	<u>-</u>
INCREASE IN NET POSITION	14,249,226	1,829,784	5,484,159	1,682,361
NET POSITION, beginning of year	<u>129,215,118</u>	<u>23,049,530</u>	<u>123,730,959</u>	<u>21,367,169</u>
NET POSITION, end of year	<u>143,464,344</u>	<u>24,879,314</u>	<u>129,215,118</u>	<u>23,049,530</u>

See accompanying notes to financial statements.

SOUTHEAST COMMUNITY COLLEGE AREA
STATEMENTS OF CASH FLOWS - DIRECT METHOD
YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	23,199,178	25,110,525
Grants and contracts	28,305	12,370
Payments for personnel services	(70,539,219)	(70,547,136)
Payments for operating expenses	(29,656,186)	(31,147,360)
Payments for scholarship allowances	(9,560,254)	(8,293,706)
Sales and services of educational departments	1,051,649	1,145,575
Auxiliary enterprises charges	9,904,869	9,881,325
Other receipts	<u>2,250,678</u>	<u>1,665,742</u>
Net cash used in operating activities	<u>(73,320,980)</u>	<u>(72,172,665)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State aid appropriations	27,460,870	27,095,637
Property taxes - General Fund and ADA/Hazardous Waste	39,881,343	34,497,798
Gifts and grants for other than capital purposes	14,851,199	14,717,867
Student loans receipts	17,614,554	19,090,417
Student loans disbursements	<u>(17,614,554)</u>	<u>(19,090,417)</u>
Net cash provided by noncapital financing activities	<u>82,193,412</u>	<u>76,311,302</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Proceeds from long-term debt, net of premium	60,570,062	-
Property taxes - Capital Improvement Fund	9,636,967	6,838,254
Proceeds from sale of capital assets	45,426	124,777
Purchases of capital assets	<u>(10,559,369)</u>	<u>(7,330,657)</u>
Net cash provided by (used in) capital financing activities	<u>59,693,086</u>	<u>(367,626)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	917,777	11,619,489
Interest on investments	374,514	388,037
Purchase of investments	<u>(816,224)</u>	<u>(1,627,003)</u>
Net cash provided by investing activities	<u>476,067</u>	<u>10,380,523</u>

SOUTHEAST COMMUNITY COLLEGE AREA
STATEMENTS OF CASH FLOWS - DIRECT METHOD
YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
NET INCREASE IN CASH AND CASH EQUIVALENTS	69,041,585	14,151,534
CASH AND CASH EQUIVALENTS, beginning of year	<u>40,585,739</u>	<u>26,434,205</u>
CASH AND CASH EQUIVALENTS, end of year	<u><u>109,627,324</u></u>	<u><u>40,585,739</u></u>
Reconciliation of Net Operating Loss to Net Net Cash Used in Operating Activities		
Net operating loss	<u>(80,416,381)</u>	<u>(78,530,258)</u>
Adjustments to reconcile net operating loss to net cash used in operating activities:		
Depreciation expenses	5,455,451	5,427,490
Changes in assets and liabilities:		
Accounts receivable (net)	(950,930)	1,849,546
Inventories	413,922	107,647
Prepaid expense	77,529	(747,363)
Accounts payable	1,845,911	(729,730)
Accrued salaries	305,256	434,238
Deposits	<u>(51,738)</u>	<u>15,765</u>
Net cash used in operating activities	<u><u>(73,320,980)</u></u>	<u><u>(72,172,665)</u></u>
NONCASH TRANSACTIONS		
Equipment	-	-
Capital lease	-	-

See accompanying notes to financial statements.

SOUTHEAST COMMUNITY COLLEGE AREA
NOTES TO FINANCIAL STATEMENTS

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Southeast Community College Area was established July 1, 1973, by legislative action. The Area encompasses the 15 counties of southeast Nebraska. An eleven-member Board of Governors is the College's governing body and establishes the policies and procedures by which the College is governed.

Reporting Entity

The concept underlying the definition of the financial reporting entity is that elected officials are accountable to their constituents for their actions. As required by accounting principles generally accepted in the United States of America, the financial reporting entity includes both the primary government and all of its component units as defined by Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*. An organization other than a primary government serves as a nucleus for a reporting entity when it issues separate financial statements. Southeast Community College Area is not a component unit of another primary government reporting entity.

The Southeast Community College Education Foundation (Foundation) is a legally separate, tax-exempt component unit of Southeast Community College Area. The Foundation acts primarily as a fundraising organization to provide support to the College. The Foundation is governed by a ten-member Board. No members of the Board are members of the College or the College Board. Although the College does not control the timing or amounts of receipts from the Foundation, the majority of the resources, or income thereon, which the Foundation holds and invests, is restricted to the activities of the College by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the College, the Foundation is considered a component unit of the College and is discretely presented in the College's financial statements.

Complete financial statements for the Foundation can be obtained from the Administrative Office at 301 South 68th Street Place, Lincoln, Nebraska, 68510.

Measurement Focus and Basis of Accounting

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. All significant intrafund transactions have been eliminated. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the College does not apply Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, for proprietary activities, unless the GASB amends its pronouncements to specifically adopt FASB pronouncements issued after that date.

SOUTHEAST COMMUNITY COLLEGE AREA
NOTES TO FINANCIAL STATEMENTS

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus and Basis of Accounting (Continued)

The Foundation is a private nonprofit organization that reports under FASB standards, including FASB ASC 958-205, *Financial Reporting for Not-for-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the College's financial reporting entity for these differences.

Basis of Presentation

Pursuant to the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended by GASB Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities - an Amendment of GASB Standard No. 34*, the full scope of the College's activities is considered to be a single business-type activity (BTA) and, accordingly, is reported within a single column in the basic financial statements.

Effective for the year ending June 30, 2016, the College adopted GASB Statement 72, *Fair Value Measurement and Application*. The objective of this Statement is to enhance comparability of governmental financial statements by requiring certain fair value measurements on a government's financial position. The adoption of this statement did not have an impact on financial position or note disclosures.

Effective for the year ending June 30, 2016, the College adopted GASB Statement 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify the hierarchy of generally accepted accounting principles (GAAP) to which a government should look to for guidance. GASB 76 reduced the GAAP hierarchy to two categories of authoritative GAAP: GASB Statements of Governmental Accounting Standards and GASB Technical Bulletins and Implementation Guides as well as guidance from the American Institute of Certified Public Accountants that is cleared by GASB. The adoption of this statement did not have an impact on financial position or note disclosures.

Budgets

Budgets are prepared on the same basis of accounting except that capital assets acquired are recorded as expenses and depreciation is not recorded.

Cash and Cash Equivalents

Cash equivalents include highly liquid temporary investments with original maturities of three months or less, readily convertible to known amounts of cash.

SOUTHEAST COMMUNITY COLLEGE AREA
NOTES TO FINANCIAL STATEMENTS

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

Investments are reported at fair value.

Receivables

Receivables consist of tuition and fees charges to students and charges for auxiliary enterprises' sales and services. Receivables also include amounts due from the federal government, state, and local governments, and private sources in connection with reimbursement of allowable expenditures made pursuant to contracts and grants, and pledges that are verifiable, measurable, and expected to be collected and available for expenditures for which the resource provider's conditions have been satisfied. Receivables are recorded net of estimated uncollectible amounts, which is based on historical collection experience and a review of the accounts receivable listing.

Inventories

Inventories are valued at the lower-of-cost or market value as determined by the first-in, first-out (FIFO) method with the exception of parts inventories, which are stated at replacement value.

Capital Assets

Capital assets are stated at cost at date of acquisition or fair value at date of donation in the case of gifts. The College capitalizes assets that have a value or cost in excess of \$2,500 at the date of acquisition and an expected useful life of one or more years. Library books are expensed.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The following estimated useful lives are used to compute depreciation:

Buildings	40 years
Building improvements	20 years
Building content replacements	10 years
Office furniture	10 years
Instructional equipment	7 years
Office equipment	3 years
Vehicles	3 years

Restricted Assets

Restricted assets represent assets whose use is restricted by external parties or by law through constitutional provisions or enabling legislation.

SOUTHEAST COMMUNITY COLLEGE AREA
NOTES TO FINANCIAL STATEMENTS

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences

Vacation and personal leave meet the criteria in GASB Statement No. 16 and are included in accrued compensated absences. The criteria for accruing compensated absences are met when employee's rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employee through paid time off or some other means, such as cash at termination or retirement.

Noncurrent Liabilities

Noncurrent liabilities include bonds payable.

Net Position

The College's net position is classified as follows:

Invested in Capital Assets, Net of Related Debt

This represents the College's total investment in capital assets, net of outstanding debt obligations related to those capital assets.

Restricted Net Position - Nonexpendable

Nonexpendable restricted net position includes endowments and similar type assets whose use is limited by donors or other outside sources and, as a condition of the gift, the principal is to be maintained in perpetuity.

Restricted Net Position - Expendable

Expendable restricted net position includes resources in which the College is legally or contractually obligated to spend the resources in accordance with restrictions imposed by external parties.

Unrestricted Net Position

Unrestricted net position includes resources derived from student tuition and fees, state aid, property taxes, sales and services, unrestricted gifts, and interest income.

Restricted and unrestricted resources are tracked using a fund accounting system and are spent in accordance with established fund authorities. Fund authorities provide rules for the fund activity and are separately established for restricted and unrestricted activities. When both restricted and unrestricted funds are available for expenditure, the decision for funding is transactional based within the departmental management system in place at the College.

SOUTHEAST COMMUNITY COLLEGE AREA
NOTES TO FINANCIAL STATEMENTS

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Scholarship Allowances

Student tuition and fees revenues and certain other revenues from College charges are reported net of scholarship allowances in the accompanying statement of revenues, expenses, and changes in net position. The scholarship allowance is the difference between the actual charge for goods and services provided by the College and the amount that is paid by students or by third parties on the students' behalf. Student financial assistance grants, such as Pell grants, and other federal, state, or nongovernmental programs, are recorded as either operating or nonoperating revenues in the accompanying statement of revenues, expenses, and changes in net position. To the extent that revenues from these programs are used to satisfy tuition, fees, and other charges, the College has recorded them as scholarship allowances.

Revenue and Expense Recognition

The College presents its revenues and expenses as operating or nonoperating based on recognition definitions from GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*. Operating activities are those activities that are necessary and essential to the mission of the College. Operating revenues include all charges to customers, grants received for student financial assistance, and interest earned on loans. Grants received for student financial assistance are considered operating revenues because they provide resources for student charges and such programs are necessary and essential to the mission of the College. Revenues from nonexchange transactions and state appropriations that represent subsidies or gifts to the College, as well as investment income, are considered nonoperating since these are either investing, capital, or noncapital financing activities. Operating expenses are all expense transactions incurred other than those related to investing, capital, or noncapital financing activities. Revenues received for capital financing activities, as well as related expenses, are considered neither operating nor nonoperating activities and are presented after nonoperating activities on the accompanying statement of revenues, expenses, and changes in net position.

Encumbrance Accounting

The College uses an encumbrance system for tracking outstanding purchase orders and other commitments for materials or services not received during the fiscal year. Encumbrances do not constitute expenses or liabilities and are not reflected in these financial statements.

Restricted/Unrestricted Resource Priority

If both restricted and unrestricted resources are available to finance a program, restricted resources are used first unless the restricted resources require unrestricted resources to be used first.

SOUTHEAST COMMUNITY COLLEGE AREA
NOTES TO FINANCIAL STATEMENTS

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2. CASH AND INVESTMENTS

The College can invest, after proper consideration of the requirements for the availability of money, funds of the College in securities the nature of which individuals of prudence, discretion, and intelligence acquire or retain in dealing with the property of another.

Interest Rate Risk

The College does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest risk rates.

Credit Risk

In accordance with the College's investment policy, funds may be invested, within certain limits, in FDIC-insured banks, U.S. Treasury and federal agencies, and certificates of deposit issued by FDIC-insured banks.

Custodial Credit Risk - Deposits

Custodial credit risk for deposits of the College is the risk that the College's deposits would not be covered by depository insurance. The College requires that deposits in excess of any insurance limit must be collateralized by the financial institution with appropriate pledged securities to protect funds above the insurable level.

Cash deposits, primarily interest-bearing, are covered by federal depository insurance or pledged collateral of unregistered U.S. government securities held by various depositories. Pledged investments at June 30, 2018 and 2017, were in unregistered U.S. government securities and federal agency obligations held in the College's name by the custodial banks.

At June 30, 2018 and 2017, the balance of the College's deposits, which includes checking, money market, and certificates of deposits, were insured or fully collateralized.

SOUTHEAST COMMUNITY COLLEGE AREA
NOTES TO FINANCIAL STATEMENTS

NOTE 2. CASH AND INVESTMENTS (Continued)

Custodial Credit Risk - Investments

For an investment, custodial credit risk is the risk that, in the event of a failure of the counter party, the College will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The College has no custodial credit risk in its investment portfolio.

Concentration of Credit Risk

The College had no investment in any one issuer greater than five percent of its overall investments.

Investments at June 30, 2018 and 2017, are summarized as follows:

Investment Type	2018 Fair Value	2017 Fair Value
POAA note receivable	163,000	163,000
Certificates of deposit	<u>2,047,247</u>	<u>2,039,518</u>
	<u>2,210,247</u>	<u>2,202,518</u>

NOTE 3. PROPERTY TAX RECEIVABLE

Property taxes levied for the fiscal year ending June 30, 2018, were due December 31, 2017, and became delinquent in April to September of 2018. Property tax revenues based on the assessed valuation and the levy set are recognized in the current fiscal year even though part of the property tax revenue is not delinquent or collected until the following fiscal year.

Property taxes are recognized net of the county collection fee of 1%. The assessed valuation and levies in cents per \$100 of assessed valuation for the fiscal years ended June 30, 2018 and 2017, were as follows:

	2018	2017
Assessed valuation	59,413,673,703	55,633,175,614
Levy in cents per \$100 of assessed valuation		
General Fund	7.07	6.47
Capital Improvement Fund	2.00	1.05
ADA/Hazardous Waste Fund	-	-
	<u>9.07</u>	<u>7.52</u>

SOUTHEAST COMMUNITY COLLEGE AREA
NOTES TO FINANCIAL STATEMENTS

NOTE 3. PROPERTY TAX RECEIVABLE (Continued)

The amounts of property taxes receivable at June 30 were as follows:

	2018	2017
General Fund	14,463,363	13,085,057
Capital Improvement Fund	<u>4,129,687</u>	<u>2,111,301</u>
Total	<u><u>18,593,050</u></u>	<u><u>15,196,358</u></u>

The following amounts, which are included in the property taxes receivable amounts, were held as cash by county treasurers at June 30:

	2018	2017
General Fund	515,299	427,002
Capital Improvement Fund	<u>145,642</u>	<u>67,971</u>
Total	<u><u>660,941</u></u>	<u><u>494,973</u></u>

NOTE 4. ACCOUNTS RECEIVABLE

Accounts receivable at June 30 were as follows:

	2018	2017
Federal nonexchange grants	1,518,624	1,796,577
Tuition and fees	6,904,561	6,924,930
Other	<u>653,549</u>	<u>(931,068)</u>
	9,076,734	7,790,439
Allowance for uncollectible accounts	<u>(6,278,939)</u>	<u>(5,943,574)</u>
Total accounts receivable, net	<u><u>2,797,795</u></u>	<u><u>1,846,865</u></u>

NOTE 5. INVENTORIES

Inventories at June 30 were as follows:

	2018	2017
Books and supplies	1,542,752	1,884,702
Parts	130,267	129,684
Livestock and grain	<u>59,170</u>	<u>131,726</u>
	<u><u>1,732,189</u></u>	<u><u>2,146,112</u></u>

SOUTHEAST COMMUNITY COLLEGE AREA
NOTES TO FINANCIAL STATEMENTS

NOTE 6. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2018, was as follows:

	June 30, 2017	Additions	Deletions	June 30, 2018
Capital assets not being depreciated				
Land	1,748,576	140,790	-	1,889,366
Construction in progress	614,043	-	614,043	-
Total	<u>2,362,619</u>	<u>140,790</u>	<u>614,043</u>	<u>1,889,366</u>
Capital assets being depreciated				
Land improvements	3,526,895	-	-	3,526,895
Buildings	99,725,408	7,348,057	-	107,073,465
Leasehold improvements	29,651	-	-	29,651
Equipment	32,933,215	3,216,369	483,803	35,665,781
Total	<u>136,215,169</u>	<u>10,564,426</u>	<u>483,803</u>	<u>146,295,792</u>
Less accumulated depreciation				
Land improvements	1,822,860	113,156	-	1,936,016
Buildings	40,127,869	2,956,693	-	43,084,562
Leasehold improvements	24,833	741	-	25,574
Equipment	25,790,071	2,384,860	400,520	27,774,411
Total	<u>67,765,633</u>	<u>5,455,450</u>	<u>400,520</u>	<u>72,820,563</u>
Capital assets, net	<u>70,812,155</u>	<u>5,249,766</u>	<u>697,326</u>	<u>75,364,595</u>

Capital asset activity for the fiscal year ended June 30, 2017, was as follows:

	June 30, 2016	Additions	Deletions	June 30, 2017
Capital assets not being depreciated				
Land	1,674,000	74,576	-	1,748,576
Construction in progress	-	614,043	-	614,043
Total	<u>1,674,000</u>	<u>688,619</u>	<u>-</u>	<u>2,362,619</u>
Capital assets being depreciated				
Land improvements	3,526,895	-	-	3,526,895
Buildings	94,719,199	5,006,209	-	99,725,408
Leasehold improvements	29,651	-	-	29,651
Equipment	31,097,804	2,249,872	414,461	32,933,215
Total	<u>129,373,549</u>	<u>7,256,081</u>	<u>414,461</u>	<u>136,215,169</u>

SOUTHEAST COMMUNITY COLLEGE AREA
NOTES TO FINANCIAL STATEMENTS

NOTE 6. CAPITAL ASSETS (Continued)

	June 30, 2016	Additions	Deletions	June 30, 2017
Less accumulated depreciation				
Land improvements	1,709,704	113,156	-	1,822,860
Buildings	37,267,767	2,860,102	-	40,127,869
Leasehold improvements	24,091	742	-	24,833
Equipment	<u>23,744,602</u>	<u>2,453,490</u>	<u>408,021</u>	<u>25,790,071</u>
Total	<u>62,746,164</u>	<u>5,427,490</u>	<u>408,021</u>	<u>67,765,633</u>
Capital assets, net	<u>68,301,385</u>	<u>2,517,210</u>	<u>6,440</u>	<u>70,812,155</u>

NOTE 7. ACCRUED SALARIES

Accrued salaries for the fiscal years ended June 30, 2018 and 2017, were composed of the following:

	2018	2017
Accrued salaries	796,662	843,726
Accrued compensated absences	<u>2,335,461</u>	<u>1,983,142</u>
	<u>3,132,123</u>	<u>2,826,868</u>

NOTE 8. LONG-TERM DEBT

Southeast Community College Tax-Supported Certificates of Participation ("COPS"), Series 2018, were issued June 7, 2018, to finance a portion of the cost of constructing, acquiring, and equipping certain buildings and related improvement to the College's campuses in the amount of \$58,375,000. Payments are made semiannually on June 15th and December 15th and include principal and interest ranging from 3% to 5% over the life of the COPS. The COPS were issued at a premium of \$2,195,062 which is amortized over the life of the COPS.

Future maturities of long-term debt are due as follows:

Years Ending June 30,	Principal	Interest	Total
2019	-	2,367,997	2,367,997
2020	-	2,316,519	2,316,519
2021	1,165,000	2,299,044	3,464,044
2022	1,200,000	2,251,569	3,451,569
2023	1,260,000	2,202,669	3,462,669
2024 - 2028	7,065,000	10,184,719	17,249,719
2029 - 2033	8,940,000	8,275,194	17,215,194
2034 - 2038	10,720,000	6,513,225	17,233,225
2039 - 2043	12,690,000	4,504,844	17,194,844
2044 - 2047	<u>15,335,000</u>	<u>1,740,752</u>	<u>17,075,752</u>
	<u>58,375,000</u>	<u>42,656,532</u>	<u>101,031,532</u>

SOUTHEAST COMMUNITY COLLEGE AREA
NOTES TO FINANCIAL STATEMENTS

NOTE 9. SCHOLARSHIP ALLOWANCES

Scholarship allowances consist of the following:

1. Tuition waivers, institutional
2. Tuition waivers, statutory (reserves and war orphan)
3. Grant funds (PELL, SEOG, NSG) credited to student accounts to offset tuition, fees, room and board, and bookstore charges
4. Residence hall rental waiver for residence hall assistants

Scholarship allowances for fiscal years ended June 30 were as follows:

	2018	2017
Tuition and fees	6,568,435	4,543,898
Room and board	663,223	601,210
Bookstore	959,660	1,085,183
	<u>8,191,318</u>	<u>6,230,291</u>

NOTE 10. EXPENSES BY FUNCTIONAL CATEGORY

Expenses for the financial statements are presented by natural classification (personnel services, operating expense, travel, and expensed capital assets). Both NACUBO and GASB have suggested that for historical purposes expenses also be presented by functional classifications.

Expenses by functional classification for the fiscal years ended June 30 are as follows:

	2018	2017
Education and general		
Instruction	46,609,369	48,404,617
Academic support	7,644,765	7,125,304
Student services	5,207,354	4,763,593
Institutional support	17,593,710	17,332,158
Physical plant	12,565,698	10,443,475
Depreciation	5,455,451	5,427,490
Student financial aid	3,471,380	5,683,663
Auxiliary enterprises	8,613,953	8,370,703
	<u>107,161,680</u>	<u>107,551,003</u>

SOUTHEAST COMMUNITY COLLEGE AREA
NOTES TO FINANCIAL STATEMENTS

NOTE 11. RETIREMENT PLAN

The College provides pension benefits for its employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. Effective January 1, 2009, all employees may participate on a voluntary basis in the retirement plan. All permanent employees who are working a minimum of three-fourths full time are required to participate when they reach the age of 30. For employees working a minimum of three-fourths time, the College matches employee contributions from 2.0% to 8.5% of the employee's gross annual salary. The College does not match any contributions for employees working less than three-fourths time. The participants are 100% vested upon contributing to the plan.

The College's total payroll, covered payroll, contributions, and contributions as a percentage of covered payrolls for the years ended June 30 were as follows:

	2018	2017
Total payroll	55,096,619	55,430,732
Covered payroll for employees eligible for College match	46,544,348	46,255,596
Employer contributions	3,184,720	3,560,325
Employer contributions as a percentage of covered payroll	6.84%	7.70%

NOTE 12. COMMITMENTS

As of June 30, 2018 and 2017, the College had \$20,009,346 and \$3,705,197 in commitments on construction contracts.

NOTE 13. RELATED PARTIES

The College is the beneficiary of a Foundation which provides support for the College by way of scholarships and other direct resources. The College contracts to provide the Foundation with limited services and office space without charge in exchange for the support the College receives. Scholarships and other direct resources provided by the Foundation are remitted to the College. Amounts for the fiscal years ended June 30, 2018 and 2017, totaled \$1,821,905 and \$1,627,038, respectively.

NOTE 14. BUDGET PROCESS

Prior to August 1, the College's management and Board of Governors prepared a proposed operating budget on the cash basis for the General, Restricted, and Plant Funds for the fiscal year commencing July 1. The budget includes proposed expenditures and the means of financing them.

SOUTHEAST COMMUNITY COLLEGE AREA
NOTES TO FINANCIAL STATEMENTS

NOTE 14. BUDGET PROCESS (Continued)

Public hearings are conducted at a public meeting to obtain taxpayer comments. After the public hearings, the budget is legally adopted by the Board of Governors through passage of a resolution at the September Board meeting.

Total expenditures may not legally exceed total appropriations and appropriations lapse at year end.

NOTE 15. RISK MANAGEMENT

The College is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; employee injuries and illnesses; natural disasters; and employee health and accident benefits. Commercial insurance coverage is purchased for employee group health and accident benefits. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

The College has joined with five of the other Nebraska community colleges to form the Nebraska Community College Insurance Trust, a public entity risk pool currently operating as a common risk management and insurance program for its members. The College pays an annual contribution to the Trust for its pooled self-insurance coverage of property, liability, workers' compensation, and associated excess coverages. The Trust self-insures to various levels for all categories of covered risk and purchases excess coverage for claims in excess of the self-insured limits. If the Loss Fund is exhausted, the Colleges may be assessed for additional costs. The insurance year ended June 30, 2018, was the Trust's twenty-first year of operations. In May 2018, the Board of Directors of the Trust declared a dividend of \$73,470 to be used to offset total contributions for the 2019 insurance year. The College anticipates no future liabilities for additional incurred losses for all previous years.

NOTE 16. SUBSEQUENT EVENTS

In preparing the financial statements, the College has evaluated events and transactions for potential recognition or disclosure through November 14, 2018, the date the financial statements were available to be issued.

ACCOMPANYING INFORMATION

SOUTHEAST COMMUNITY COLLEGE AREA
 SCHEDULES OF GENERAL FUND REVENUES
 BUDGETARY BASIS
 YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
State aid	27,460,870	27,095,637
Property taxes	41,259,669	35,966,335
Tuition	19,467,175	19,331,951
Other income	1,035,285	1,277,036
(Add) to/use cash reserves	<u>(4,415,641)</u>	<u>(2,321,605)</u>
	<u>84,807,358</u>	<u>81,349,354</u>

The revenues in this schedule are presented on the same basis as the College's General Fund budget and are not on a GASB basis of accounting. In particular, tuition is not reduced for scholarship allowances from grants and some other funds.

PROPERTY VALUATION AND PROPERTY TAX REVENUE

The property valuation for Southeast Community College Area as reported by the County Assessor in late August 2018 for use in property tax revenue for June 30, 2019, was \$59,413,673,703. The General Fund property tax rate for June 30, 2019, is 7.07 cents per \$100 of valuation.

The property valuation for Southeast Community College Area as reported by the County Assessor in late August 2017 for use in property tax revenue for June 30, 2018, was \$58,079,907,417. The General Fund property tax rate for June 30, 2018, is 7.07 cents per \$100 of valuation.

SOUTHEAST COMMUNITY COLLEGE AREA
SCHEDULES OF GENERAL FUND EXPENDITURES
YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
PROGRAM CLASSIFICATION STRUCTURE		
INSTRUCTION		
Personnel services	39,860,883	40,288,479
Operating expenses	2,244,626	2,353,287
Travel	108,270	219,716
Equipment	<u>2,092,462</u>	<u>1,708,249</u>
	<u>44,306,241</u>	<u>44,569,731</u>
 ACADEMIC SUPPORT		
Personnel services	6,590,888	6,205,645
Operating expenses	750,159	721,639
Travel	26,765	19,942
Equipment	<u>326,955</u>	<u>293,348</u>
	<u>7,694,767</u>	<u>7,240,574</u>
 STUDENT SERVICE		
Personnel services	3,120,615	2,968,109
Operating expenses	453,747	395,583
Travel	28,817	36,828
Equipment	<u>85,735</u>	<u>58,680</u>
	<u>3,688,914</u>	<u>3,459,200</u>
 INSTITUTIONAL ADMINISTRATION		
Personnel services	11,176,154	10,688,219
Operating expenses	6,215,435	6,393,581
Travel	58,267	105,067
Equipment	<u>675,706</u>	<u>919,347</u>
	<u>18,125,562</u>	<u>18,106,214</u>
 PHYSICAL PLANT OPERATIONS		
Personnel services	4,874,279	4,707,887
Operating expenses	5,038,272	2,911,979
Travel	35	2,075
Equipment	<u>975,922</u>	<u>240,234</u>
	<u>10,888,508</u>	<u>7,862,175</u>
 STUDENT FINANCIAL SUPPORT		
Operating expenses	<u>103,366</u>	<u>111,461</u>

SOUTHEAST COMMUNITY COLLEGE AREA
 SCHEDULES OF GENERAL FUND EXPENDITURES
 YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
GRAND TOTAL FOR COLLEGE		
Personnel services	65,622,819	64,858,339
Operating expenses	14,805,605	12,887,530
Travel	222,154	383,628
Equipment	4,156,780	3,219,858
	<u>84,807,358</u>	<u>81,349,355</u>

The expenditures in this schedule are presented on the same basis as the College's General Fund budget and are not on a GASB basis of accounting. In particular, equipment is shown as an expense.

SOUTHEAST COMMUNITY COLLEGE AREA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2018

Federal Grantor/Pass-Through Grantor Program Title	Pass-Through Identification Number	Federal CFDA Number	Federal Expendi- tures
<u>U.S. Department of Education</u>			
Student Financial Assistance Cluster			
PELL Grant Program		84.063	9,806,666
Federal Direct Loan		84.268	17,614,554
Federal Work-Study Program		84.033	211,918
Federal Supplemental Education Opportunity Grant Program		84.007	271,518
Postsecondary Education Scholarships for Veteran's Dependents		84.408	<u>1,382</u>
Total Student Financial Assistance Cluster			<u>27,906,038</u>
TRIO Cluster			
TRIO Support Services		84.042	285,200
TRIO Upward Bound		84.047	<u>257,564</u>
Total TRIO Cluster			<u>542,764</u>
CCAMPIS		84.335	<u>76,713</u>
Pass-Through Programs From:			
Nebraska Department of Education			
Adult Basic Education - Corrections	18-2AEF-13-00-945000	84.002	14,167
Adult Basic Education - IELCE	18-2AEE-13-00-945000	84.002	1,361
Adult Basic Education - Leadership	18-2AEP-02-00-945000	84.002	6,125
Adult Basic Education - Leadership	18-2AEP-13-00-945000	84.002	8,938
Adult Basic Education - Beatrice	18-2AEF-02-00-945000	84.002	63,055
Adult Basic Education - Lincoln	18-2AEF-13-00-945000	84.002	212,591
Adult Basic Education - Volunteer	18-2AES-02-00-945000	84.002	21,701
Adult Basic Education - Volunteer	18-2AES-13-00-945000	84.002	25,375
Vocational Education	17-60-094-5000-00	84.048	1,074,095
Lincoln Public Schools			
School Improvement Grants, Recovery Act	None	84.010	<u>142,388</u>
			<u>1,569,796</u>
Total U.S. Department of Education			<u>30,095,311</u>

SOUTHEAST COMMUNITY COLLEGE AREA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2018

Federal Grantor/Pass-Through Grantor Program Title	Pass-Through Identification Number	Federal CFDA Number	Federal Expendi- tures
<u>U.S. Department of Labor</u>			
TAACCCT Grants		17.282	64,198
Pass-Through Programs From:			
City of Lincoln			
ABE WIA Incentive Grant	None	17.259	<u>2,653</u>
Total U.S. Department of Labor			<u>66,851</u>
<u>U.S. Department of Health and Human Services</u>			
Substance Abuse and Mental Health Services Projects of Regional and National Significance		93.243	34,094
Pass-Through Programs From:			
Nebraska Department of Health and Human Services			
Health Education Laddering Program	90FX0040-01-00-SCC-15/16	93.093	188,896
Refugee and Entrant Assistance - ESL	None	93.576	<u>45,724</u>
Total U.S. Department of Health and Human Services			<u>268,714</u>
<u>National Science Foundation</u>			
Secure IT Cybersecurity		47.046	<u>66,870</u>
<u>United States Department of Agriculture</u>			
Rural Business Development Grant		10.351	<u>182</u>
<u>Nuclear Regulatory Commission</u>			
U.S. Nuclear Regulatory Commission Scholarship and Fellowship Program		77.008	<u>69,082</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>30,567,010</u></u>

See accompanying notes to schedule.

SOUTHEAST COMMUNITY COLLEGE AREA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2018

NOTE 1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Southeast Community College Area under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Southeast Community College Area it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Southeast Community College Area.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3. SUBRECIPIENTS

Of the federal expenditures presented in the Schedule, the Southeast Community College Area provided no federal awards to subrecipients.

NOTE 4. INDIRECT COST RATE

The Southeast Community College Area has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

SOUTHEAST COMMUNITY COLLEGE AREA
SFA PROGRAMS - AUDIT INFORMATION

LEAD AUDITOR: Kerry A. Gustafsson Permit No. 49722
Dana F. Cole & Company, LLP
1248 O Street, Suite 500
Lincoln, Nebraska 68508

TELEPHONE NO: 402.479.9300

The audit was performed between September 17, 2018 and September 20, 2018, at the institution's facilities as follows:

Location	Description of Facility	Dates Visited
Lincoln, Nebraska	Administrative and Student Financial Aid offices	September 17, 2018 to September 20, 2018
Beatrice, Nebraska	Administrative and Student Financial Aid offices	September 17, 2018 to September 20, 2018
Milford, Nebraska	Administrative and Student Financial Aid offices	September 17, 2018 to September 20, 2018

Institution's Accrediting Organization:

The Higher Learning Commission

The institution does not utilize an SFA Consultant/Service.

Records for the accounting and administration of the SFA programs are located at the Business and Student Financial Assistance offices in the Administration Building at each campus location.



**DANA F. COLE
& COMPANY^{LLP}**
CERTIFIED PUBLIC ACCOUNTANTS

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS

To the Board of Governors
Southeast Community College Area
Lincoln, Nebraska

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Southeast Community College Area, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Southeast Community College Area's basic financial statements, and have issued our report thereon dated November 14, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Southeast Community College Area's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Southeast Community College Area's internal control. Accordingly, we do not express an opinion on the effectiveness of the Southeast Community College Area's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

Management's Responsibility for Compliance

Compliance with certain provisions and laws, regulations, contracts, and grant agreements related to Southeast Community College Area is the responsibility of the College's management.

Auditors' Responsibility

As part of obtaining reasonable assurance about whether Southeast Community College Area's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instance of non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Southeast Community College Area's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Southeast Community College Area's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Dana F Cole + Company, LLP

Lincoln, Nebraska
November 14, 2018



**DANA F. COLE
& COMPANY_{LLP}**
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Governors
Southeast Community College Area
Lincoln, Nebraska

Report on Compliance for Each Major Program

We have audited Southeast Community College Area's compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of the College's major federal programs for the year ended June 30, 2018. Southeast Community College Area's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Southeast Community College Area's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Southeast Community College Area's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance with each major program. However, our audit does not provide a legal determination on the Southeast Community College Area's compliance.

Opinion on Each Major Program

In our opinion, Southeast Community College Area complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control Over Compliance

Management of Southeast Community College Area is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Southeast Community College Area's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Southeast Community College Area's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of our testing based on those requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Dana F Cole + Company, LLP

Lincoln, Nebraska
November 14, 2018

SOUTHEAST COMMUNITY COLLEGE AREA
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 YEAR ENDED JUNE 30, 2018

SECTION I. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness identified: ___ Yes X No

Significant deficiencies identified that are not considered to be material weaknesses: ___ Yes X None reported

Noncompliance matter to the financial statements disclosed: ___ Yes X No

Federal Awards

Internal control over major programs:

Material weakness identified: ___ Yes X No

Significant deficiencies identified that are not considered to be material weaknesses: ___ Yes X None reported

Type of auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a): ___ Yes X No

Identification of major programs:

FPELL	84.063
Federal Direct Loan Program	84.268
Federal Supplemental Education Opportunity Grant	84.007
Federal Work-Study	84.033
Postsecondary Education Scholarships for Veteran's Dependents	84.408

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as a low-risk auditee: X Yes ___ No

SOUTHEAST COMMUNITY COLLEGE AREA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018

SECTION II. FINANCIAL STATEMENT FINDING

None reported.

SECTION III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

SOUTHEAST COMMUNITY COLLEGE AREA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2018

There were no prior year audit findings and recommendations that required resolution for the year ended June 30, 2017.